First G20 Sustainable Finance Working Group Meeting Summary
16 – 17 January 2025 (Virtual)

Meeting objective: Deepen members' understanding of the Note on Agenda Priorities (NAP) objectives and provide an opportunity for members to share their unique perspectives on the Sustainable Finance Working Group's (SFWG) 2025 priorities.

Session 1: Strengthening the global sustainable finance architecture

Knowledge partners[1]: African Development Bank (AfDB), Finance in Commons (FiCs), and the Climate Policy Initiative (CPI).

The opening remarks emphasised that reforming the international sustainable financial architecture to better serve developing countries remains a top priority. South Africa was commended for advancing Brazil's initiative to review the vertical climate environmental funds' (VCEFs) operations. The co-chair urged that the Independent High-Level Expert Group's (IHLEG) recommendations be implemented.

The International Finance Corporation (IFC) discussed the need for significant private investment to meet lagging global climate-finance goals and highlighted the pivotal role of concessional capital in de-risking and incentivising early-stage projects. The IFC also discussed multilateral development banks' (MDBs) experiences in mobilising private climate capital and catalysing markets, including but not limited to analytics and policy lending, standards and certification, technical assistance and capacity building, creating a pipeline of bankable projects, risk management through project structuring and blended finance, as well as mobilisation by project and wholescale.

Priority 1 received broad support from members, who reiterated the urgent need to strengthen interlinkages among MDBs, VCEFs, and national development banks (NDBs) to enable greater private finance mobilisation. Many members underscored the importance of aligning processes and sharing standardised data, as well as improving country-level coordination. Some members reminded the group of the distinct mandates and governance structures of these entities. Several members emphasised the importance of building on the outcomes of the IHLEG report to streamline VCEF

[1] Subject to changes and additions

application procedures, encourage blended finance, and address capacity gaps in emerging markets and developing economies. Members also flagged other relevant research such as the Network for Greening the Financial System (NGFS) Blended Finance concept note and the Organisation for Economic Co-operation and Development's (OECD) report on Scaling Up the Mobilisation of Private Finance for Climate Action in Developing Countries.

Country ownership and approaches that are fit for purpose as well as scaling up efforts in priority sectors, including renewable energy, nature-based solutions, and climate-resilient infrastructure, were highlighted by several members. Some members emphasised the urgent need for co-financing initiatives in the agriculture and forestry sectors.

However, some members highlighted that private sector capital remains concentrated on mitigation activities, often bypassing adaptation projects and lower-income countries. Some members encouraged initiatives such as the effective use of confessional funding to de-risk, further exploration of currency-risk mitigation tools, more widespread use of guarantees, and the replication of successful mechanisms such as green bonds and sustainability-linked instruments.

Some members stressed that close coordination should be maintained to avoid duplication, including with other G20 working groups, particularly the International Financial Architecture and Framework Working Group. Some members emphasised that the focus of the SFWG discussion should not be on reallocating funds across VCEFs, but on encouraging co-financing and mobilising private capital.

The closing remarks highlighted the importance of addressing critical macroeconomic issues to advance financing, including currency risk and regulatory frameworks. Members were reassured that developing practical and actionable recommendations and continuing coordination with other G20 working groups is essential.

Session 2: Unlocking the financing potential of carbon markets

Knowledge partners [2] : Climate Data Steering Committee (CDSC), and Asian Infrastructure Investment Bank (AIIB).

The session opened by noting that carbon markets are increasingly pivotal in the sustainable finance ecosystem, as they offer an innovative way to mobilise resources for global climate objectives. The significance of transparent, high-quality carbon credits in bringing private sector capital into mitigation and adaptation efforts was highlighted, while cautioning that issues such as data fragmentation, inconsistent methodologies, and credibility gaps must be addressed to fully harness carbon markets' financing power. The need to explore ways to enhance the interoperability of carbon market was also noted, with an aim for more cross-border carbon trading, including data systems, ensuring consistency and facilitating the seamless exchange of information across

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different platforms while maintaining alignment with national requirements and existing market structures.

Four presentations then explored different aspects of carbon markets. The AIIB discussed the carbon-offset life cycle, underscoring the need to integrate fragmented systems and remove technical barriers to cross-border trading. The CDSC outlined the rationale for the development of a Common Carbon Credit Data Model (CCCDM) under priority 3. The CCCDM will guide how standardised data attributes are defined, recorded, reported, and incorporated into existing market infrastructures across jurisdictions. IOSCO also discussed the need for standardisation and the importance of financial integrity, noting that accurate, consistent data are essential for price discovery, liquidity, and investor confidence. The UNFCCC spotlighted recent decisions on Article 6 of the Paris Agreement, explaining the new infrastructure designed to prevent double counting and enhance environmental integrity in both compliance and voluntary markets.

While support was given for the development of a CCCDM as a global public good, members cautioned against the potential overlap with the work of the United Nations Framework Convention on Climate Change (UNFCCC) and International Organization of Securities Commissions (IOSCO), and the timeline of delivering the data model within one year. Avenues to improve financial institutions' participation in and interconnectivity between carbon markets were also highlighted.

Members broadly supported the need to reduce fragmentation in carbon-related data and increase transparency, thus supporting the concept of a CCCDM. However, members stressed the need to build on existing initiatives – such as the Climate Action Data Trust and Article 6 frameworks – while requesting clarity on the model's scope, timeline, and governance. Members requested more information about how the G20 South African Presidency would coordinate with ongoing efforts by UNFCCC, IOSCO and other global standard-setters to avoid duplication.

Several members emphasised the distinction between compliance and voluntary markets, noting potential complexities in addressing the two simultaneously. Others highlighted the need for capacity building in emerging markets, stronger assurances of carbon-credit integrity (including co-benefits for local communities), and alignment with broader climate goals.

The closing remarks reiterated the ambition to improve carbon market integrity and interoperability, affirming that robust data, transparency, and interoperability are integral to scaling up carbon finance. Acknowledgment was given to members' requests for further detail on the proposed data model scope, process, and alignment with the Article 6 outcomes and existing registries.

Session 3: Scaling up financing for adaptation and just transitions

Knowledge partners: Network for Greening the Financial System (NGFS), International Association of Insurance Supervisors (IAIS), Organisation for Economic Co-Operation and Development (OECD), and African Development Bank (AfDB).

The session opened by highlighting the significant imbalance between mitigation and adaptation finance, noting that the financial sector has concentrated heavily on mitigation efforts, and adaptation remains comparatively underfunded. Specific challenges were discussed, including the lack of clear methodologies and data gaps hindering investors' evaluation of adaptation projects. Acknowledging the complexity of this agenda, it is important to prioritise the need for practical, principles-based solutions that account for diverse national contexts.

Four presentations examined different angles of adaptation finance. The United Nations Environment Programme Finance Initiative (UNEP FI) highlighted that the annual adaptation-financing gap is expected to exceed USD200 billion by 2030. UNEP FI emphasised the need for improved climate asset data and supportive policy environments. SouthSouthNorth – a South African non-profit organisation missioned with mobilising capabilities and resources to enable equitable, climate-resilient development − focused on national adaptation plans, citing weak governance, high transaction costs, and limited local capacity as barriers to scaling up community-driven climate resilience projects. The CDP (formerly known as the Carbon Disclosure Project) argued that integrating adaptation into transition plans − traditionally geared towards mitigation − can unlock additional private capital. The CDP shared data, showing that companies with robust transition plans are more likely to embed physical risk assessments. The Centre for Disaster Protection addressed pervasive insurance protection gaps, pointing to mechanisms such as risk pools and parametric insurance as critical tools for faster, more equitable disaster response.

Members broadly agreed that climate adaptation requires stronger policy incentives, improved risk data, and targeted instruments to mobilise private investment. Members stressed the importance of national adaptation planning − particularly in agriculture, water, and urban sectors − to guide financial flows in an increasingly risk-prone environment. Some members underscored that tackling adaptation should not deprioritise mitigation, urging that both streams be pursued in tandem in the upcoming years, and financed in ways that reflect countries' unique vulnerabilities and capacities.

In addition, several members drew attention to insurance affordability and coverage constraints, observing that fragile local markets, high premiums, and limited reinsurance capacity hamper resilience efforts in both developed and emerging economies. Other members highlighted the potential of blended finance, parametric products, and public–private partnerships, emphasising that grassroots implementation − from smallholder farmers to municipal-level initiatives – can be pivotal.

The closing remarks noted members' requests for clear taxonomies, standardised data, and improved risk management to scale adaptation finance, alongside stronger policy incentives and private sector engagement. Addressing insurance gaps and supporting vulnerable economies was also highlighted as critical.

Other comments and next steps

G20 Sustainable Finance Roadmap progress reporting: Interested jurisdictions may report on the effectiveness of their efforts to implement the G20 Sustainable Finance Roadmap. A pilot group of voluntary members will be formed for peer exchange and reflection on methodologies for self-evaluation against the efficacy of sustainable finance policies.

Clarity on Priority 3: In response to members' requests, the G20 South African Presidency will share a CDSC slide deck to offer more clarity on scope, timelines, and governance.

SFWG hybrid side event: The G20 South African Presidency will host a side event on enhancing interoperability among public development banks with FiCs on the sidelines of the FiCs Summit on 27 February 2025.

Second SFWG meeting: The G20 South African Presidency will host the 2nd SFWG meeting in George, South Africa, from 24 to 26 March 2025.